

# MEMORANDUM

To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards  
Michigan Education Association  
Middle Cities Education Association  
Michigan Association of School Administrators  
Michigan Association of Intermediate School Administrators  
AFT Michigan  
Michigan Elementary and Middle School Principals Association  
Michigan Association of Secondary School Principals

RE: House Bills 5182 and 5552 and their effect on local public school districts

Date: May 28, 2014

We write today in opposition to two bills before you which would reduce local property tax revenue for our public school districts and have an indeterminate negative effect on the School Aid Fund. House Bill 5182 eliminates the local option to exempt nonprofit housing property from property taxes and requires the exemption. House Bill 5552 expands the list of people to which property in trust can be transferred without property tax implications.

Our concerns lie in the bigger picture. While these particular bills may seem to be only a small decrease to the SAF, when added to the many other policies recently passed and being considered, they continue to erode the School Aid Fund and local revenue and add up to a significant amount of money over time. **To date, legislation signed into law this session has cut at least \$161.7 million annually from the SAF.**

We urge you to look very closely at this bill and similar ones and the collateral damage they cause over time (see list on page 2-3). Our schools will continue to see cuts if the School Aid Fund does not receive the revenue necessary to support our students and communities.

We urge you to oppose these bills until our local schools are held harmless by the cuts proposed. If you have any questions, please feel free to contact any of us in the education community listed.

Legislation passed by the **House Committees** since January 2013 that affect the School Aid Fund or local school property tax revenue (does not include bills that had hearings but no votes, or bills passed by the Senate).

*Public Acts to date (May 20, 2014): cut at least \$161.7 million annually from the School Aid Fund, this does not include the four bills for which costs are indeterminate.*

**Appropriations:**

**SB893** – HICA and Medicaid Managed Care use tax  
**\$87 Million increase to SAF in 13/14**

**Tax Policy:**

**SB89-90 and HB4234** (Public Acts 160, 234 & 159 of 2013) – eliminate the sales and use taxes on the difference between the value of a trade-in and a new vehicle.  
**\$152 Million loss to SAF**

**SB114** – eliminate the use of occupancy rates in determining property tax value  
**Amount of increase to SAF undetermined**

**SB142-143** – eliminate sales and use taxes on prewritten software  
**\$7-11 Million loss to SAF**

**SB352** (Public Act 161 of 2013) – exempt property of permanently disabled veterans from property taxes  
**Amount of loss unknown**

**SB425** – extends principal residence property tax exemption to the beneficiary of a trust  
**Amount of loss unknown**

**SB536** – allow property tax exemption for eligible economic development groups  
**Amount of loss unknown**

**SB622** (Public Act 121 of 2014) – revise date for tax exemption of property affixed to property in another state  
**\$333,000 loss to SAF**

**HB4121** – allow a 5 year tax abatement on the sale of school property  
**Amount of loss to SAF undetermined**

**HB4135** – eliminate the requirement to pay school operating mills on foreclosed properties  
**\$38-42 Million loss to SAF**

**HB4202-4203** – create sales and use taxes on sales over the internet  
**Amount of increase to SAF undetermined** - however HFA states as written the bills would not generate much revenue.

**HB4540** (Public Act 85 of 2013) – clarify taxation of certain industrial facilities exemption certificates  
**Amount of loss to SAF undetermined**

**HB4541** (Public Act 115 of 2013) – allow an application approval for the previous tax year under the obsolete property and rehabilitation law  
**Amount of loss to SAF undetermined**

**HB4810** (Public Act 40 of 2014) – maintain principal residence exemption when moved into assisted living  
**Amount of loss unknown**

**HB4831 (Public Act 211 of 2013) – exempt over-the-counter prescription medications from the sales tax  
\$9.4 Million loss to SAF**

**HB5017 (Public Act 204 of 2013) – exempt development property from property tax  
Amount of loss unknown**

**Transportation & Infrastructure:**

**HB4572 and SB415 – eliminate sales and use tax on aviation fuel  
\$17 Million loss to SAF**

**HB4677 – earmark portion of sales tax revenue to transportation fund  
Includes a \$17 Million increase to SAF**

**Natural Resources:**

**SB51, 54 & 55 and HB4244 (PAs 42, 43, 44 & 50 of 2013) – changes in the taxes on forestry industry & property  
Amount of loss to SAF undetermined**

**These few bills total a minimal loss to the SAF of \$223.7 million annually.  
The minimum increase to the SAF is \$104 million annually.**

